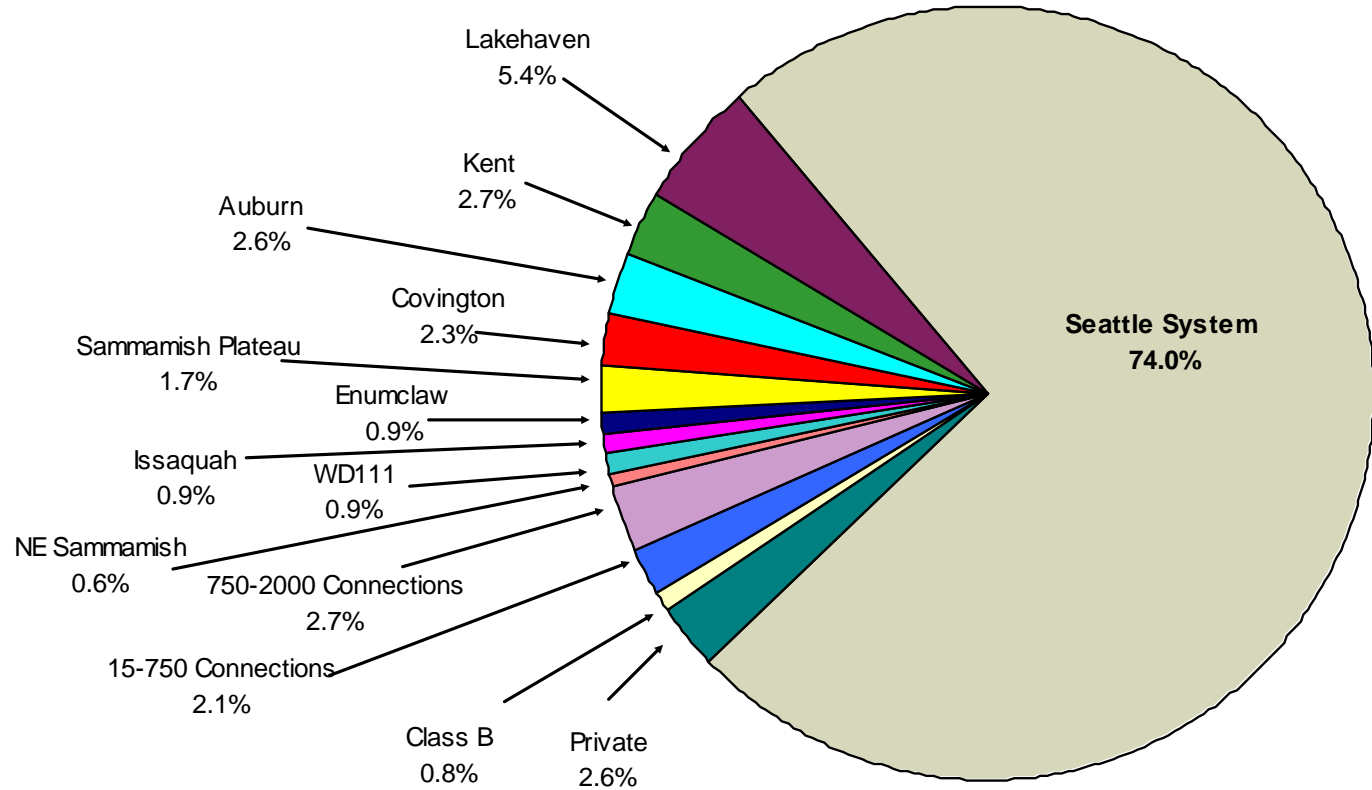


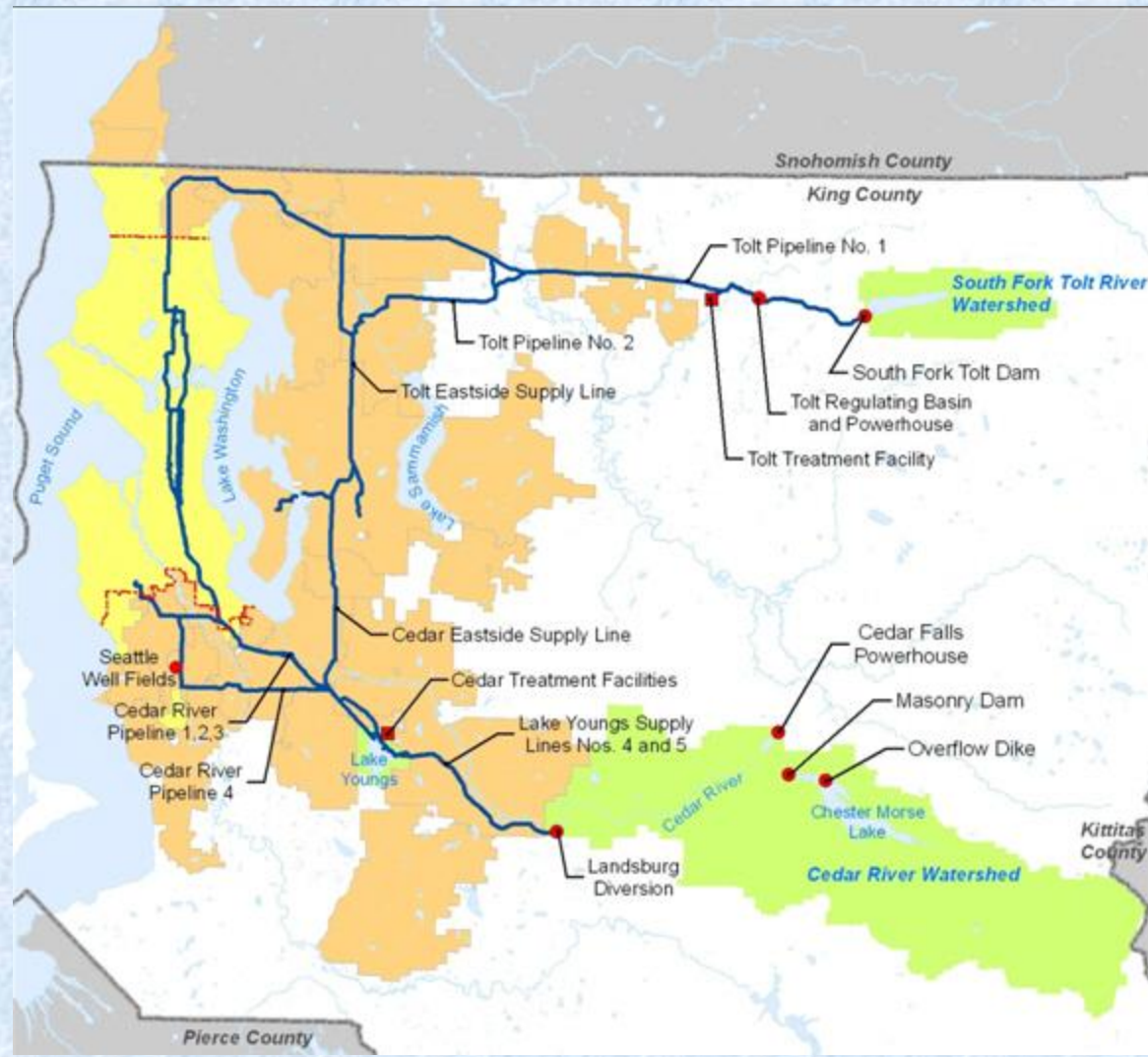
# Wholesale Customer Supply Contracts

Seattle Public Utilities  
SPUN Committee Briefing  
March 8, 2011

# Water Supply in King County



# Seattle Regional Water Supply System



# Wholesale Customers

- 21 wholesale water customers on Seattle regional water supply system
- 51% of total system demand
- 25% of the water system revenues, or \$45 million



# 21 Wholesale Customers



# Historical Perspective

- Seattle began serving suburban areas- 1950's
- First wholesale contracts- 1982
- Wholesale customers initiated contract review process- 1990's
- First Full and Partial Requirements contracts signed- 2001
- Block contract with Cascade signed- 2003
- City of North Bend contract- 2008

# Contract Types

- 1982 Contracts
- Full Requirements Contracts
- Partial Requirements Contracts
- Block Contracts
- Mitigation Water Contract

# Major Contractual Shift

## 1982 CONTRACT

- 30 year term
- Requirement to purchase all supply from SPU
- Old & new water rates
- Purveyor committee advisory only

## FULL & PARTIAL REQUIREMENTS CONTRACT

- 60 year term
- May leave with notice
- One wholesale rate
- Operating Board with some decision authority



# Major Contractual Shift (cont'd)

## **FULL & PARTIAL REQUIREMENTS CONTRACT**

- Commitment to Conservation Program
- Regional approach to system and resource operation

# Full Requirements Contracts

## ● 2001

- Cedar River Water & Sewer District
- Coal Creek Utility District
- Shoreline Water District
- Soos Creek Water & Sewer District

## ● 2002

- WD 20
- WD125

## ● 2003

- WD 45
- City of Mercer Island

## ● 2004

- Woodinville Water District

# PARTIAL REQUIREMENTS CONTRACTS

- **2001**

- Highline Water District

- **2003**

- Olympic View Water & Sewer District

# Block Contracts

- Pay for a set amount, or “block” of water, regardless of whether used
- Penalties for exceeding block



# Block Contracts

## **Cascade (2003; 2008)**

- Declining block of water
- No participation in Saving Water Partnership
- No representation on Operating Board

## **Northshore (2005)**

- Set amount of water for 50 year life of contract
- Participate in Saving Water Partnership
- Represented on Operating Board

# Mitigation Water Contract

- City of North Bend
- Untreated water purchased at different rate
- Seasonal water used to supplement flows in Snoqualmie River

# New Contracts

- 8 wholesale customers on contracts that expire end of this year
  - 5- Full Requirements Contract
  - 1- Partial Requirements Contract
  - 2- Emergency Intertie Agreements

# Utilities Signing New Contracts

Bothell

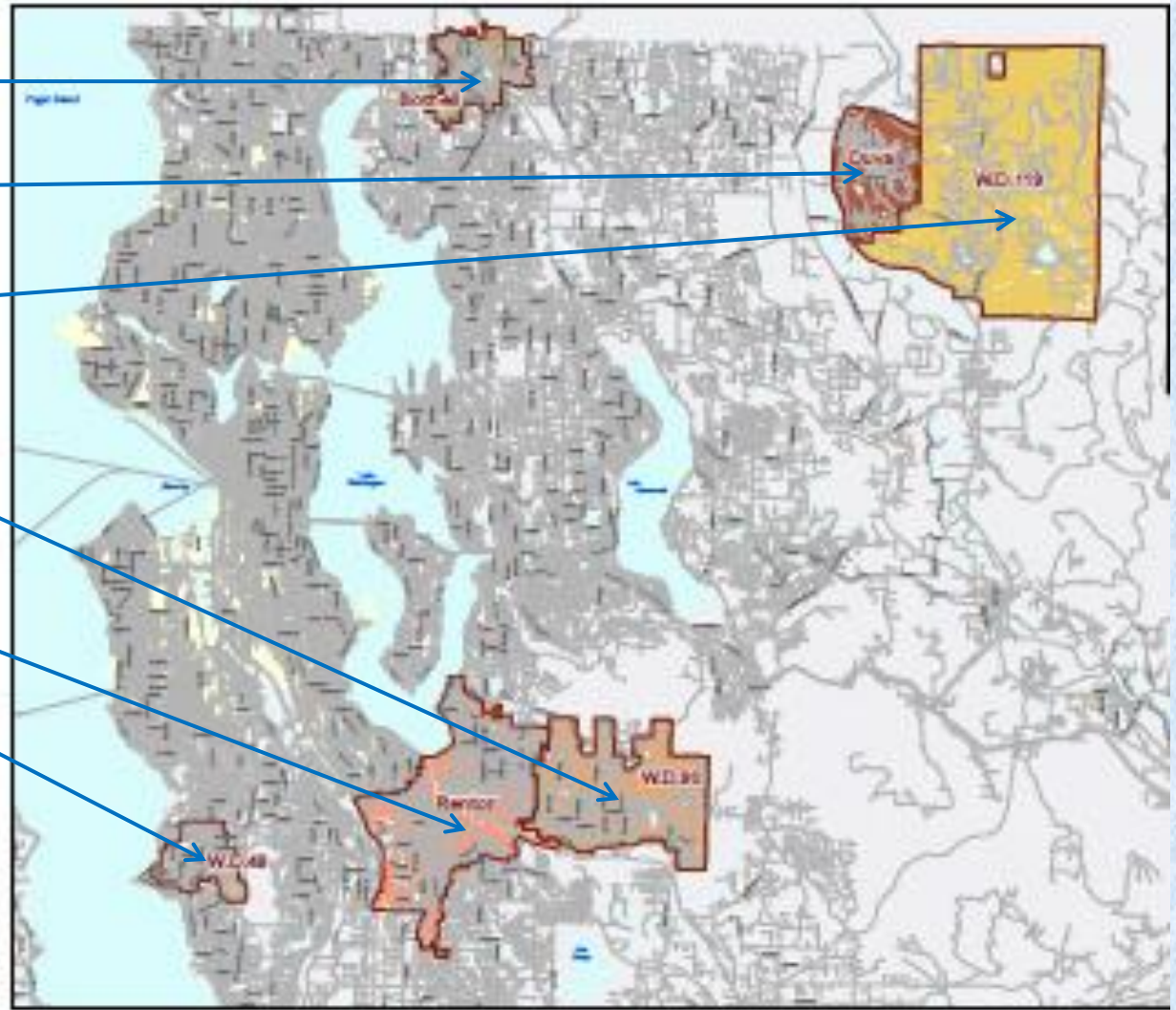
Duvall

WD 119

WD 90

Renton

WD 49





# Utilities Signing New Contracts

Utility	Annual Purchases		
	CCF	As percent of Wholesale Purchases	Total Regional Sales
Bothell	640,359	2.4%	1.2%
Duvall	224,298	0.8%	0.4%
Renton	59,904	0.2%	0.1%
WD 49	556,683	2.0%	1.0%
WD 90	433,468	1.6%	0.8%
WD 119	115,579	0.4%	0.2%
<b>Total</b>	<b>2,030,291</b>	<b>7.5%</b>	<b>3.8%</b>

# Contract Features

- Substantially the same as current contracts
  - Same expiration date
  - Same rates and financial mechanisms
  - Same participation on Operating Board
- Signing new contract before expiration
  - Alleviates transition cost to wholesale customers

# Contract Differences

- Transition Provisions

- Pay out deficit in old contract
- Pay portion of deficit going into new contract
- Early signing fee of \$100,000

- Minor Revisions

- Agreed to review ERU calculation method
- Clarification of CIP review
- Refinement of dispute resolution mechanism
- Conservation language to reflect MIT agreement

# Renton Contract

- Changing from limited supply to partial requirements contract
- SPU to provide conservation services for all of Renton
- Continue emergency intertie from them to us at no charge
- Extension of Franchise Agreement



# Emergency Intertie Agreements

- City of Edmonds and Lake Forest Park Water District
  - No need for long-term regular water supply
  - Covers all emergencies including fire service
- Agreements simpler to administer
- Each paying \$1500 transaction fee

# Today's Action

- Approve ordinance authorizing SPU Director to sign new agreements and emergency interties
- Questions?